

## Message Text

SECRET

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TO USDEL SECRETARY IMMEDIATE  
INFO AMEMBASSY LONDON IMMEDIATE  
AMEMBASSY NAIROBI IMMEDIATE

S E C R E T STATE 234497 TOSEC 270525

EXDIS

E.O. 11652: XGDS-1

TAGS: PFOR, UK, US

SUBJECT: BRIEFING MEMORANDUM: SECRETARY'S STOPOVER IN  
LONDON

1. THERE FOLLOWS A BRIEFING MEMORANDUM FOR THE SECRETARY'S MEETING WITH FOREIGN SECRETARY CROSLAND IN LONDON, PRESENTLY SCHEDULED FOR 9:00 A.M., FRIDAY, SEPTEMBER 24, AT THE FCO PER SECTO 27091, SECTO 27120, LONDON 14698, AND SECTO 27244.
2. ALTHOUGH MEETING WITH CROSLAND IS ONLY MEETING SCHEDULED SO FAR, SHOULD THE SECRETARY MEET WITH SHADOW FOREIGN SECRETARY REGINALD MAUDLING DURING HIS STOPOVER, HE SHOULD BE REMINDED OF MAUDLING'S RECENT LETTER TO AMB. ARMSTRONG ABOUT MAUDLING'S FORTHCOMING TRIP TO THE US BEGINNING IN WASHINGTON OCTOBER 17 (SEE LONDON 14676 SENT AS TOSEC 270519).

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3. BEGIN TEXT

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BRIEFING MEMORANDUM

TO: THE SECRETARY

FROM: EUR - ARTHUR A. HARTMAN

YOUR MEETING WITH FOREIGN SECRETARY CROSLAND  
FRIDAY, SEPTEMBER 24, 9:00 A.M., FCO

PARTICIPANTS (YET TO BE DETERMINED)

CHECKLIST

SOUTHERN AFRICA. REVIEW THE RESULTS OF YOUR TRIP AND  
DISCUSS NEXT STEPS.

CYPRUS. IF TIME PERMITS, DISCUSS STRATEGY FOR USE OF  
REVISED CYPRUS PRINCIPLES.

SETTING

YOU LAST SAW CALLAGHAN AND CROSLAND ON YOUR WAY TO AND  
FROM THE VORSTER MEETINGS IN ZURICH EARLIER THIS MONTH.  
CALLAGHAN LEAVES FOR BLACKPOOL FRIDAY MORNING TO PREPARE  
FOR THE ANNUAL LABOR PARTY CONFERENCE STARTING MONDAY AND  
ASKED CROSLAND TO SEE YOU THIS TIME. YOU WILL SEE CROSLAND  
AGAIN OVER DINNER AT UNGA OCTOBER 6 AND BEFORE THAT, YOU  
WILL BE SEEING SIR MICHAEL PALLISER, FCO PERMANENT UNDER  
SECRETARY, WHO WILL PROBABLY REPRESENT THE UK AT WALDHEIM'S  
DINNER FOR THE FIVE PERMANENT SC MEMBERS NEXT TUESDAY IN  
NEW YORK.

ISSUES

WE WOULD NOT FORESEEMUCH TIME AT YOUR PRESENT MEETING FOR  
NON-AFRICAN TOPICS. IF TIME PERMITS, YOU MIGHT WANT TO  
RAISE THE SUBJECT OF THE REVISED CYPRUS PRINCIPLES AND DIS-  
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CUSS WITH CROSLAND THE BEST STRATEGY FOR THEIR USE.  
(NOTE TO S/S: TAB IN TOSEC 270373).

OUR FIRST SESSION WITH HMG ON RENEGOTIATION OF THE US-UK  
CIVIL AIR AGREEMENT WAS DEVOTED TO A VERY PRELIMINARY EX-  
CHANGE OF VIEWS ON GENERAL PRINCIPLES AND AN ELABORATION  
OF THE WORK PROGRAM. WE DID DETECT SIGNS THAT THE UK'S  
AIM OF AN EQUALIZATION OF REVENUES BETWEEN THE TWO SIDES

IS SUBJECT TO SOME "GIVE." ON THE RELATED ISSUE OF BRITISH UNILATERAL ACTION TO REDUCE CHICAGO-LONDON AND MIAMI-LONDON CAPACITY, THE RETALIATORY SCENARIO YOU APPROVED EARLIER IS BEING PLAYED OUT VERY DELIBERATELY. WE ARE GIVING HMG AN OPPORTUNITY TO RESCIND ITS ACTION AT EACH STEP, AND THERE IS STILL A POSSIBILITY THE UK MAY ALLOW BRITISH AIRWAYS TO WORK OUT A DEAL WITH THE INVOLVED US AIRLINES THAT WOULD OBVIATE THE NEED FOR USG RETALIATION.

THE NEXT BRITISH MEETING WITH THE GUATEMALANS ON BELIZE WILL HAVE TAKEN PLACE IN PANAMA SEPTEMBER 21-22. LAGERUD TOLD HARRY SHLAUDEMAN RECENTLY THAT THE GOG WILL FINALLY BROACH THE TERRITORIAL QUESTION ON THE MARGINS OF THIS ROUND OF THE TALKS.

#### BACKGROUND

#### CALLAGHAN'S SECOND CABINET SHUFFLE

AS EXPECTED, ROY JENKINS' DEPARTURE FOR BRUSSELS LOOKING TOWARDS HIS TERM AS PRESIDENT OF THE EC COMMISSION IN

JANUARY TOUCHED OFF A CABINET SHUFFLE JUST AFTER YOUR LAST STOP IN LONDON. THE PRIME MINISTER JUGGLED PEOPLE AND POSITIONS SKILLFULLY, INCLUDING IN THE PROCESS SOME STRUCTURAL CHANGES REFLECTING HIS INCLINATION AGAINST THE "SUPER DEPARTMENTS OF GOVERNMENT." THE RESULT MAINTAINED THE GOVERNMENT'S IDEOLOGICAL BALANCE WHILE INFUSING NEW BLOOD AND REPAYING POLITICAL DEBTS, AND IS EXPECTED TO STRENGTHEN THE GOVERNMENT SLIGHTLY WITHOUT ALTERING ITS PRESENT POLICY COURSE. OF MOST INTEREST TO US WERE FRED MULLEY'S REPLACEMENT OF ROY MASON AT DEFENSE (MASON TOOK SECRET

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NORTHERN IRELAND FROM REES, WHO TOOK JENKINS' PLACE AT THE HOME OFFICE), SHIRLEY WILLIAMS' ELEVATION TO EDUCATION FROM PRICES AND CONSUMER PROTECTION, AND ROY HATTERSLEY'S PROMOTION TO PRICES FROM HIS SPOT AS NUMBER TWO AT THE FCO. DAVID OWEN, 38, BECOMES NEW MINISTER AT THE FCO, WITH SPECIAL RESPONSIBILITY FOR EUROPE.

#### PARTY CONFERENCES IN FULL SWING

THE ANNUAL PARTY CONFERENCES CONTINUE PRIOR TO THE RECONVENING OF PARLIAMENT OCTOBER 11. THE FIRST, THE TRADES UNION CONGRESS (TUC) CONFERENCE RAMMED THROUGH A SERIES OF RESOLUTIONS WITH LITTLE CONTENTIOUS DEBATE, OVERWHELMINGLY REAFFIRMING THE 1976-77 SOCIAL CONTRACT THAT INCLUDES THE TUC-GOVERNMENT WAGE-TAX AGREEMENT (IT WAS PREVIOUSLY RATI-

FIED BY A SPECIAL TUC MEETING IN JUNE). THE CONFERENCE ALSO MADE CLEAR THAT IT WILL INSIST ON A MORE FLEXIBLE WAGE POLICY NEXT YEAR, SERVED NOTICE ON THE LABOR ADMINISTRATION THAT IT MUST TAKE STEPS TO REDUCE THE PRESENT "TOTALLY UN-ACCEPTABLE" LEVEL OF UNEMPLOYMENT, AND ATTACKED THE RECENT GOVERNMENT SPENDING CUTS.

PREDICTABLY, THE GOVERNMENT'S ECONOMIC POLICIES WILL BE THE PRINCIPAL TARGET OF LEFT-WING ACTION AT NEXT WEEK'S LABOR PARTY CONFERENCE. EVEN THOUGH SUCH RESOLUTIONS HAVE NO DIRECT EFFECT ON THE GOVERNMENT'S POLICIES OR ACTIONS, THEY HAVE THE POTENTIAL TO EMBARRASS CALLAGHAN & CO. AND TO WEAKEN CONFIDENCE IN HMG'S ABILITY TO MANAGE THE ECONOMY, AND WILL TEST THE PRIME MINISTER'S VAUNTED POLITICAL SKILLS IN MANIPULATING THE CONFERENCE TO MINIMIZE THESE OUTWARD SIGNS OF STRESS. THE LIBERAL PARTY CONFERENCE LAST WEEK SAW THE PARTY'S NEW YOUNG LEADER, DAVID STEEL, ESTABLISH HIMSELF FIRMLY, AND ALSO WITNESSED A TURN UNDER STEEL'S LEADERSHIP A LONG WAY AWAY FROM THEIR PURIST ESCHEWING OF POWER-SHARING, TOWARDS ACCEPTANCE OF THE IDEA OF PARTICIPATION IN A COALITION. THE TORIES WILL BE THE LAST TO MEET, IN EARLY OCTOBER.

POSSIBLE SEAMEN'S STRIKE THREATENS PANDORA'S BOX.

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A SEAMEN'S STRIKE WAS NARROWLY AVERTED EARLIER THIS MONTH THAT THREATENED NOT ONLY SOME DIRECT EFFECT ON THE ECONOMY, BUT A BREACH OF THE WAGE ACCORD. DURING A TWO-WEEK POSTPONEMENT ARRANGED DURING THE TUC CONFERENCE, A FACE-SAVING SETTLEMENT BEFORE THE NEW MONDAY DEADLINE WILL HOPEFULLY BE WORKED OUT. THE THREAT OF A STRIKE, HOWEVER, COMBINED WITH OTHER FACTORS, WAS ENOUGH TO RENEW PRESSURE ON THE POUND. HMG WAS FORCED TO UP THE MINIMUM LENDING RATE SHARPLY TO 13 IN AN EFFORT TO ATTRACT SHORT-TERM CAPITAL FLOWS, AND THE LIKELIHOOD THAT THE BRITISH WERE AGAIN FORCED TO DRAW ON THE STANDBY SWAP ARRANGEMENT INCREASES THE CHANCES THAT HMG WILL HAVE TO GO TO THE IMF TO REPAY THE SWAP, WHICH EXPIRES DECEMBER 9, WITH WHAT THAT ACTION IMPLIES FOR THE "CONDITIONALITY" OF FURTHER IMF DRAWINGS AND ITS EFFECT ON THE DOMESTIC SCENE.

DRAFTED:EUR/NE:SWWORREL:DF CLEARED:C:RHOPPER

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APPROVED:EUR - AAHARTMAN ROBINSON

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